

## Message Text

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PAGE 01 MONTEV 03424 031919Z

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ACTION XMB-04

INFO OCT-01 ARA-06 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 L-03 NSC-05 SS-15 STR-04

CEA-01 PA-01 PRS-01 /081 W

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R 031836Z OCT 75

FM AMEMBASSY MONTEVIDEO

TO SECSTATE WASHDC 9889

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E.O. 11652: N/A

TAGS: EFIN, ETRD, UY

SUBJECT: EXPORT CREDITS

REF: A) MVD A-074 B) MVD -2239

DEPARTMENT - ALSO FOR EXIM

1. SUMMARY: SEVERAL IMPORTANT CHANGES IN URUGUAY'S HANDLING OF EXPORT CREDITS FROM ITS MAJOR SUPPLIERS ARE PENDING. THESE CHANGES WILL FURTHER THE GOU ECONOMIC REFORM PROGRAM, SPECIFICALLY ITS POLICY OF LIBERALIZING AND ENCOURAGING FOREIGN TRADE. PROMINENT AMONG THE CHANGES BEING CONSIDERED IS THE PAYING OF ALL COMMERICAL ARREARAGES WHICH HAD BEEN UNILATERALLY RESCHEDULED IN 1972 BY THE CENTRAL BANK. END SUMMARY

2. DURING CENTRAL BANK PRESIDENT GIL DIAZ' TRIP TO LONDON IN AUGUST IN CONNECTION WITH THE SIGNING OF THE \$110 MILLION COMMERCIAL BANK LOAN AGAINST GOLD (REF A), GOU OFFICIALS DISCOVERED A SURPRISING LACK OF KNOWLEDGE OF URUGUAYAN REFORM EFFORTS AND, IN PARTICULAR, A NEGATIVE ATTITUDE TOWARD PROVIDING COMMERCIAL CREDITS FOR URUGUAYAN IMPORTS. WHILE THERE HAVE BEEN SOME INDICATIONS OF IMPROVEMENT OF THIS SITUATION (REF B), AND RECENTLY THE GERMAN

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PAGE 02 MONTEV 03424 031919Z

HERMES AGENCY ANNOUNCED IT WAS WILLING TO GUARANTEE LIMITED 180-

DAY IMPORT CREDITS, THE CENTRAL BANK FEELS FURTHER STEPS ARE NEEDED. THEY PLAN TO SEND AN ECONOMIC/COMMERCIAL MISSION TO EUROPE IN NOVEMBER TO EXPLAIN URUGUAY'S POSITION AND HOPE TO BE ABLE TO ANNOUNCE A SERIES OF MEASURES INTENDED TO IMPROVE URUGUAY'S ECONOMIC IMAGE ABROAD.

3. AS DEPARTMENT WILL RECALL, IN 1972 URUGUAY UNILATERALLY RESCHEDULED AND CONSOLIDATED ITS COMMERCIAL ARREARAGES UNDER CENTRAL BANK CIRCULAR 409. WHILE PAYMENTS ON THIS RESCHEDULED DEBT HAVE BEEN MADE ON TIME, THE EFFECT OF THE ORIGINAL ACTION JEOPARDIZED URUGUAY'S FINANCIAL REPUTATION. THE CENTRAL BANK HAS NOW PROPOSED PAYING OFF ALL REMAINING CIRCULAR 409 DEBTS AT ONCE. THESE PRESENTLY AMOUNT TO ABOUT \$14 MILLION. THIS PLAN IS NOW BEING CONSIDERED BY ECONOMY AND FINANCE MINISTER VEGH VILLEGAS AND, IF HE APPROVES, AN ANNOUNCEMENT MAY BE MADE SHORTLY.

4. FOR MANY YEARS, SOME GOVERNMENT AGENCIES AND AUTONOMOUS ENTITIES, SUCH AS UTE (ELECTRICITY) AND ANCAP (PETROLEUM), HAVE INDEPENDENTLY CONTRACTED FOREIGN DEBTS; AND SOME OF THESE HAVE FALLEN INTO ARREARS FOR A VARIETY OF REASONS, INCLUDING BUREAUCRATIC SNAFUS. THE CURRENT PLAN BEING DISCUSSED WOULD INVOLVE THE CENTRAL BANK TAKING OVER THESE BAD DEBTS AND ARRANGING FOR ORDERLY PAYMENT.

5. TO PREVENT A REPETITION OF THIS SITUATION IN THE FUTURE, THE CENTRAL BANK PLANS TO MAINTAIN A REGISTRY OF ALL FOREIGN CREDITS TO THE GOVERNMENT AND AUTONOMOUS ENTITIES. ONE SOURCE TELLS US THIS WILL INVOLVE CENTRAL BANK APPROVAL AND GUARANTEE OF SUCH CREDITS. HOWEVER, EVEN IF THE CENTRAL BANK DOES NOT GUARANTEE THE CREDITS, THE REGISTRY SYSTEM SHOULD INSURE THAT AN ORDERLY PAYMENT ARRANGEMENT IS WORKED OUT.

6. COMMENT: THE MEASURES OUTLINED ABOVE SHOULD BE ADOPTED OVER THE COURSE OF THE NEXT TWO MONTHS. WE BELIEVE THEY REPRESENT ANOTHER STEP FORWARD IN URUGUAY'S POLICY OF OPENING ITS ECONOMY TO OBTAIN THE ADVANTAGES OF THE ACTIVE FOREIGN TRADE SECTOR.  
SIRACUSA

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** BANK LOANS, CREDIT AUTHORIZATIONS, EXPORT CREDIT GUARANTEES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 03 OCT 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** KelleyW0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750344-0914  
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**Office:** ACTION XMB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** KelleyW0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 24 JUN 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <24 JUN 2003 by ShawDG>; APPROVED <13 NOV 2003 by KelleyW0>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** EXPORT CREDITS  
**TAGS:** EFIN, ETRD, UY  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006